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R. Gerard Salemm
Vice President - Government Affairs

Suite 1000
1120 20th Street, N.W.
Washington, DC 20036
202 457-3118
FAX 202 457-3205

June 19, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Room 222
Washington, D.C. 20554

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JUN 19 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: Ex Parte Presentation -- CC Docket No. 96-61

Dear Mr. Caton:

Today I provided the attached letter to Regina Keeney, Chief, Common Carrier Bureau and other Bureau personnel as noted on the letter.

Five copies of this Notice, along with the attached letter, are being submitted to the Secretary of the FCC in accordance with Section 1.1206(a)(1) of the Commission's rules.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gerard Salemm".

cc: R. Keeney
S. Ismail
N. Fried

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

Regina M. Keeney
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street N.W.
Washington, D.C. 20554

Re: CC Docket No. 96-61

Dear Ms. Keeney:

In response to your letter dated June 5, 1996, AT&T has gathered the following information concerning implementation of rate integration for Guam and the Commonwealth of the Northern Mariana Islands ("CNMI").¹ As you know, AT&T and all U.S. carriers currently serve Guam and CNMI as international locations. AT&T has taken some preliminary actions to determine how AT&T could implement rate integration. However, many questions remain unresolved. Thus, we are unable to provide a detailed timetable for beginning or completing the rate integration process, nor can we propose revised rates (or a rate structure) until many other issues are addressed. The following summarizes the information we have been able to gather since receipt of your letter.

As a preliminary matter, all AT&T service to Guam and CNMI is terminating traffic only. AT&T does not provide any originating service from those islands. We understand, however, that both Guam and CNMI are already served by multiple facilities-based carriers for calls to the U S and to international locations. In addition, we have

¹ Although the June 5 letter also refers to American Samoa, the Governor of those islands has, in the interim, written to the Commission requesting that no additional action be taken with respect to rate integration for those islands (see letter from Governor A. P. Lutali to Chairman Reed Hundt, dated June 12, 1996). Accordingly, this letter focuses upon Guam and CNMI only. Nevertheless, the issues discussed below relating to Guam and CNMI are virtually identical to those for American Samoa.

communicated with the Guam/CNMI Working Group, which we understand is working diligently to address issues related to rate integration.² The Working Group has identified a number of the issues that need to be resolved before rate integration can begin.

First, neither Guam nor CNMI are part of the North American Numbering Plan (NANP). Therefore, all calls to those locations must be dialed with an international prefix, e.g., 011+, 01+. Use of such dialing patterns leads to different handling of the information relating to such calls. Accordingly, it would be costly and difficult, if not impossible, for AT&T to associate calls to these islands with other domestic calls until they receive area codes and can be reached with standard 10-digit dialing. Area codes for Guam and CNMI have been reserved by the NANP Administrator. At the Industry Numbering Committee meeting held in Washington, D.C., in April, Guam and CNMI asserted that all necessary changes to support the use of these codes will be completed by July 1, 1997.

Second, because of their distance from the continental United States, AT&T's existing mileage bands do not accommodate most calls to Guam and CNMI.³ Thus, AT&T has two choices in this regard. It can either add a new mileage band or extend its longest existing mileage band to accommodate such traffic. We cannot make a decision on this matter without understanding any additional costs we would incur to make the necessary changes. It typically takes our billing agents about a month to respond to time and charges requests for making billing changes, and the amount of time needed to accomplish the possible changes is unknown. Thus, we cannot make any rate structure proposals at this time.

Third, depending on the billing and other technical complexities involved, it may be necessary to implement rate integration in a number of steps. For example, we expect that it will be easier to implement rate integration for basic service rates than to include other types of calls to Guam and CNMI. Thus, it may take some time after the initial introduction of rate integration to achieve rate integration for all AT&T services.

Finally, the underlying service arrangements for Guam and CNMI are based upon the international settlements process, not the access charge model used in the rest of the country. AT&T does not believe that rate integration would require revisions to the existing service arrangements for these islands, and it would propose to maintain its

² Members of that group include, among others, representatives of local and interexchange carriers that originate traffic in Guam and representatives of the local governments of Guam and CNMI.

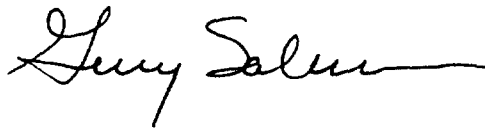
³ For example, AT&T's longest mileage band for consumer services ends at 5750 miles, which is less than the distance from San Francisco to Guam (approximately 6000 miles).

existing correspondent relations intact.⁴ Moreover, modification of existing physical and legal arrangements between carriers that operate in Guam or CNMI and U.S. carriers on the mainland, including reclassification of AT&T's existing facilities serving Guam and CNMI as "domestic" rather than "international," could have significant and adverse policy implications. For example, such reclassification could lead some foreign carriers to claim that those distant islands are an entry point for all U.S. traffic.⁵ In such event, foreign carriers might insist that AT&T (or other U.S. carriers) accept foreign-billed traffic in Guam/CNMI for delivery to any point within those islands or to the U.S. mainland.

If the foreign carriers prevailed on such a claim, AT&T and other U.S. carriers, irrespective of their existing operating territories, would have to bear the additional cost to extend their networks to Guam and CNMI. In addition, they would have to construct and maintain transoceanic half-channels from Guam to non-U.S. points to implement operating arrangements with foreign carriers that insist on delivering traffic destined for the mainland at Guam. Such additional costs (and the potential facilities constraints) could be substantial. Accordingly, any decision adopting rate integration for Guam and CNMI should explicitly provide that operating arrangements between and among U.S. carriers, and with foreign carriers, need not be modified, and that AT&T and other U.S. carriers are not obliged to accept foreign traffic destined for the mainland in Guam or CNMI.

I hope that the above information proves useful in your consideration of implementing rate integration for Guam and CNMI. I look forward to hearing from you and welcome the opportunity to assist you in your efforts to resolve this important issue.

Sincerely,



cc: Sherille Ismail
Neil Fried

⁴ Rate integration can be accomplished without regard to these arrangements, with the underlying costs of the existing service arrangements for Guam and CNMI averaged with the costs of other domestic services.

⁵ The likelihood of such claims is not theoretical. Foreign carriers in the Pacific Region have already raised this issue with AT&T in connection with Guam's pending rate integration application.